

Mr. Chairman, members of the committee, for the record my name is Mike Miller and I am the Representative for House District 84.

I strongly support HB 639. This bill is pretty harmless and just opens up alternative options for the State and the citizens of Montana to conduct some limited commerce using something of value other than Federal Reserve Notes.

Article 1 Section 10 of the US constitution says. No state shall enter into any treaty, alliance, or confederation; grant letters of marque and reprisal; **coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts;**

According to Sir Thomas Gresham, a British Economist in the mid-16th century who formulated the principle known as Gresham's Law: "When coins of equal face value but different intrinsic value are put into circulation side by side, the coin with the higher intrinsic value will be hoarded and only the coin of lower intrinsic value will remain in circulation."

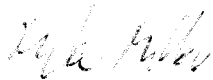
That is exactly what happened in the 1960's when Public Law 88-36 was passed and silver was eliminated as the underlying exchange for one and two dollar bills. In 1965, the U.S. government discontinued minting U.S. dimes, quarters and half dollars with a 90% silver content and switched instead to cheaper cupro-nickel coins with less intrinsic value.

As Gresham's Law predicted, bad money drove out the good, and pre-1965 silver coins quickly disappeared from circulation.

Gold and Silver store value. I ask you, if I offered you the choice of a 1964 Kennedy 90% silver 50¢ piece or a 2008 cupro-nickel 50¢ piece, which one would you take? If I gave both of them to you, which one would you spend on a coke or cup of coffee? (Gresham's Law in practice) Just so you know, the 1964 50¢ piece has an intrinsic value today of about \$6.50. In 1964, I spent 50¢ daily for my lunch. Today, that 50¢ coin has retained its intrinsic value and would still buy a modest lunch. If you had to buy lunch using only a new 50¢ piece, you might go hungry.

Thank you and I urge a do pass on HB 639.

Mike Miller



Representative HD84